

VZCZCXRO2670
PP RUEHSL
DE RUEHRO #1190/01 3011653
ZNY CCCCC ZZH
P 281653Z OCT 09
FM AMEMBASSY ROME
TO RUEHC/SECSTATE WASHDC PRIORITY 2815
INFO RUEHZG/NATO EU COLLECTIVE PRIORITY
RUEHBUL/AMEMBASSY KABUL PRIORITY 0550
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 0971
RUEHMIL/AMCONSUL MILAN PRIORITY 0298
RUEHFL/AMCONSUL FLORENCE PRIORITY 3866
RUEHNP/AMCONSUL NAPLES PRIORITY 4079
RUCNDT/USMISSION USUN NEW YORK PRIORITY 1043

C O N F I D E N T I A L SECTION 01 OF 03 ROME 001190

SIPDIS

E.O. 12958: DECL: 10/29/2019
TAGS: [EAID](#) [PREL](#) [PINS](#) [IT](#) [AF](#) [PK](#)
SUBJECT: ITALY OPTIMISTIC ON MEETING AFPAK AID TARGETS

REF: A. STATE 108183
[1](#)B. ROME 1177

ROME 00001190 001.2 OF 003

Classified By: Acting Political Minister-Counselor J. Liam Wasley for Reasons 1.4 (B) and (D)

[1](#)1. (SBU) Summary: By the end of 2009, Italy plans to disburse Euro 62 million in development assistance to Pakistan and Euro 45-50 million in assistance to Afghanistan, in line with its Tokyo and Paris pledges. In Pakistan, Italian assistance will be focused on rural development, community empowerment and vocational training in the regions bordering Afghanistan. In Afghanistan, Italian aid is being allocated towards construction of the Kabul-Bamyan Road, support for Italian PRT projects in Herat and elsewhere in RC-West, and projects in the health, refugee and local governance sectors. Though modest compared to the pledges of other major donors, these packages have been protected from the sharp cuts in development assistance enacted by the Berlusconi government starting in 2008 (2009 alone saw a 60 per cent cut), and demonstrate that Afghanistan and Pakistan remain a priority commitment for the GOI. Further cuts are anticipated in the years to come, however, putting at risk the sustainability of Italian commitment to the region. End Summary.

Pakistan: A Modest Package, But Italy Will Meet Tokyo Commitment

- - - - -

[1](#)2. (SBU) Poloff and Econoff delivered Ref A points to Walter Zucconi, Desk Officer for Central Asia at the MFA Directorate General for Development Cooperation (DGCS -- Italy's lead aid agency) on October 23. Zucconi confirmed that Italy considers its Tokyo pledge for Pakistan to be Euro 62 million, as opposed to the Euro 42 million reported in Ref A. The amount was raised after the Tokyo conference when Italy decided to add Euro 20 million in soft loans for vocational training. The pledge is divided into three parts, none of which has been disbursed:

-- Euro 2 million in grants in support of olive oil cultivation, processing and marketing in the NWFP, to be administered by the Florence-based Istituto Agronomico per l'Oltremare (IAO), a dependency of the MFA. Status: Approved by the DGCS governing board; disbursement expected by the end of November 2009.

-- Euro 40 million in soft loans (with 80 per cent grant element) for rural development, community empowerment and microfinance in NWFP, FATA and Baluchistan. Status: Approved by DGCS board, but disbursement held up over the lack of an

MOU between Italy and Pakistan governing the administration of the loan. Zucconi said that the Pakistani government has been slow to cooperate on the drafting of the MOU with the Italian Embassy in Islamabad, which is in turn hampered by its small staff (consisting of two diplomats, including the Ambassador) and lack of a permanent DGCS official there. DGCS hopes to obtain funding in the near future for a full-time slot at the Embassy.

-- Euro 20 million in soft loans (with 80 per cent grant element) for vocational training in NWFP. Status: approval expected at the November 20 DGCS board meeting, but, as in the case of the previous soft loan, disbursement will hinge upon the successful conclusion of an MOU with the Pakistani government.

13. (SBU) In addition, Italy has a number of pre-Tokyo projects in the pipeline, including:

-- Euro 1.3 million in grants for the development of management capacity in the Karakoram National Park (administered by IUCN -- International Union for the Conservation of Nature) and for school construction and rehabilitation of the historic center in Shigar village (Baltistan, Northern Pakistan).

-- Euro 7.75 million in soft loans for SMEs and Italo-Pakistani joint ventures (not yet implemented)

-- Euro 1.4 million in grants in support of Pakistani entrepreneurs, implemented by UNIDO per a 2006 bilateral agreement between Italy and Pakistan

-- Euro 80 million debt-for-development swap agreement, under

ROME 00001190 002.2 OF 003

which Italy has canceled 50 per cent of Pakistan's outstanding bilateral debt and Pakistan has agreed to pay the remainder into a fund for development projects by 2011. Thus far 11 projects valued at Euro 16 million have been approved by the joint Italy-Pakistan Committee charged with administering the agreement. More projects are awaiting approval by the end of 2009, including a number targeting the Malakand district.

-- Euro 5 million in emergency funds for UN operations in NWFP.

Afghanistan: Italy Will Meet Paris Goal (Barely)

14. (SBU) Turning to Afghanistan, Zucconi said that Italy hopes to meet the 2009 portion of its Paris Donor Conference Commitment (Euro 45-50 million per year over the 2009-2011 triennium) by the end of the 2009 fiscal year (note: Italy uses the calendar year as its fiscal year). Italy has disbursed about Euro 35 million in aid so far in 2009, including:

-- Euro 20 million in grant aid for Afghan National Development Strategy (ANDS) programs through the National Solidarity Program (NSP), in support of Community Development Councils, women's empowerment, health and rural development in RC-West;

-- Euro 6 million in emergency humanitarian aid administered by various UN agencies;

-- Euro 5 million in support of the two Afghan nationwide elections (via UNDP);

-- Euro 3.1 million to the UNHCR program for Afghan refugees returning from Iran (to which it directed Euro 3 million last year);

-- Euro 800,000 to the Law and Order Trust Fund (LOFTA).

¶5. (SBU) Still yet to be disbursed are a number of projects, including the first Euro 20 million tranche dedicated to Phase 2 of the Kabul-Bamiyan road project (83 km in three tranches of 20 million spread over three years), which has been bedeviled by costly delays and security problems since its inception. The funds have already been approved and the bulk of the contracts should be awarded in November or December 2009. Other projects to be disbursed before the end of the year include a Euro 6.4 million microcredit loan for families and small enterprises in Herat, Baghdis and Farah Provinces (all in Regional Command-West), to be administered by MISFA (Microfinance Support Facility for Afghanistan), an independent Afghan agency. (Note: the GOI and GoIRA signed the agreement for this loan on October 27).

¶6. (SBU) Zucconi said that Italy, by its own count, has allocated Euro 465 million and disbursed Euro 390 million to Afghanistan since 2001: 28m in the last months of 2001, 39m in 2002, 44m in 2003, 36m in 2004, 29m in 2005, 30m in 2006, 55m in 2007, 71m in 2008. (Note: At the Berlin Conference in 2004, Italy pledged 145 million Euros for the period 2004-2006, but was unable to complete disbursement of the pledge until 2007 because of insufficient absorption capacity on the part of Afghan institutions. No pledges were made at the London Conference; instead, Italy affirmed its intent to continue disbursements of about Euro 45-50 million per year, a commitment that was reaffirmed at the 2008 Paris Conference for the 2009-2011 period. The pace of disbursements has gone up in recent years as Afghan institutions develop capacity. End note).

Comment

¶7. (C) Although Italy's aid contributions in Pakistan and Afghanistan pale in comparison to those of first-tier donors like the U.S., Japan, UK, France and Germany, they have remained stable relative to other sectors of Italian aid, which have dropped sharply as a result of Berlusconi government budget cuts. Zucconi said that the overall Italian development budget was slashed by as much as 60 per cent in 2009, and that bigger cuts are expected to come next year. The Berlusconi government, never a fan of development aid, kept aid for Afghanistan and Pakistan at these relatively high levels in large part to keep a seat at the

ROME 00001190 003.2 OF 003

table in AfPak forums and to bolster its claim to leadership on the issue within the G8. Now that Italy's Trieste Conference on Afghanistan and Pakistan has come and gone, there are even fewer incentives for Italy to sustain this level of commitment. The GOI will require frequent prodding from the U.S. and other stakeholders to remain a significant contributor to donor efforts in the region.

THORNE